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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 01/12/07

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-- There will be no Daily Summary on January 15 - an American holiday.--

ARTICLES:

(1) "V-shaped runway would be moved to area near Nagashima Island," says mayor on scope of revision; Four local heads from northern Okinawa agree on policy course of joint concessions with the prefecture

OKINAWA SHIMPO (Top play) (Excerpts)
January 12, 2007

(Nago) Prior to the third meeting of the Futenma Air Station Relocation Measures Council, scheduled for Jan. 19, four heads of local government in the northern part of Okinawa yesterday afternoon met at the Northern Part Hall in Nago City. They agreed on a policy course at the council of matching the prefecture, which is seeking a minor revision of the proposed V-shaped runway (off of Camp Schwab), with their own compromise. It appears that their aim is to make an appeal to the central government by presenting a unified view from the local level. After the meeting, Nago City Mayor Yoshikazu Shimabukuro told this newspaper's reporter: "The city and the local governments want to draw the location as close as possible to the area near Nagashima Island," indicating the scope of the revision of the V-shaped runway desired by Nago City.

Governor Hirokazu Nakaima has indicated that he would go ahead with a relocation plan that has the agreement of the local government, stating, "Unless the local residents around the Nago area say that they would approve if it were such and such, I can't go along with it." With Nago City having come out with the specific scope of the revision, there is now the possibility of a unified Okinawa position on the scope of the revision being presented to the government, possibly as early as the next meeting of the council.

(2) Futenma talks: Focus on V-shaped airstrips

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YOMIURI (Page 3) (Abridged)
January 8, 2007

Tokyo and Washington have now concurred on relocating the US Marine Corps' Futenma Air Station in Ginowan City, Okinawa Prefecture, to a coastal area of Camp Schwab in the island prefecture's northern coastal city of Nago. The government will hold a third meeting of its consultative body on Jan. 19 with Okinawa's prefectural and municipal governments to kick off their talks in an effort to build an alternate facility for Futenma airfield. Tokyo and Okinawa, seeking to relocate Futenma airfield at an early date, are now searching for common ground, such as retouching the alternate facility plan. Their talks, however, still cannot be expected to reach an early agreement.

Deputy Chief Cabinet Secretary Seiji Suzuki called on Nago Mayor Yoshikazu Shimabukuro at the Nago municipal government office yesterday afternoon. After that, Suzuki visited the villages of Higashi and Ginoza and the town of Kin to meet with their mayors, who also participate in the consultative body. In his meetings with them, Suzuki told the mayors that the government would like to relocate Futenma airfield with local understanding.

Suzuki presides over the consultative body. His visit to Okinawa is a message to the local hosts, meaning that the prime minister's office (Kantei) commits itself to addressing the issue of Futenma relocation on its own responsibility, one of Prime Minister Abe's aides said.

However, it is unclear whether the Kantei can resolve the situation under its initiative.

In his meeting with Suzuki yesterday, Okinawa Gov. Hirokazu Nakaima stressed again that Futenma airfield should be closed down within three years and that he could not accept the government's current plan to build a V-shaped pair of airstrips in a coastal area of Camp Schwab. Okinawa has repeatedly called for the government to retouch its V-shaped airstrips plan and come up with a plan to get rid of Futenma airfield's danger by closing down Futenma airfield within three years.

On Jan. 3, Defense Agency Director General Kyuma indicated that he would not insist on the government's V-shaped airstrips plan, saying he would not rule out building only one runway instead of laying down two airstrips in a V-shape. "If the United States, Okinawa, and the government agree, anything will do," Kyuma said.

However, Chief Cabinet Secretary Shiozaki, meeting the press on Jan. 5, stated that Futenma relocation would be based on the government's V-shaped airstrips plan. "He wanted to say it would be very difficult to change it to one runway," Shiozaki stressed. Foreign Minister Aso also negated Kyuma's remarks. "He didn't coordinate with the Foreign Ministry," Aso said. "His remarks will upset what we have decided to do," Aso added.

The government is negative about making a substantial review of the V-shaped airstrips plan. The government, if it reviews the plan, will have to coordinate again with the United States. However, the United States is said to have already told Japan that the United States cannot comply with a request to talk about retouching the plan because there is no time to talk about it over again.

In the government, some want to save the governor's face. The idea

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is to move the government-planned facility's location a few dozen meters to the seaside. This will help reduce the levels of aircraft noise in neighboring local communities. In addition, it needs more landfill and will profit local contractors.

There is concern about what Kyuma really meant to say. "The governor's attitude is unclear, so he sent up a trial balloon to see local reaction," one of the prime minister's aides said. However, a senior official of the Cabinet Office voiced another concern, saying, "If the Kyuma statement has wings, Futenma relocation cannot go with a minor change in the plan."

On Dec. 25, the government held a second meeting of its consultative body with Okinawa. In that meeting, the government indicated that it would consult with the United States on how to eliminate the danger of Futenma airfield. The government has plans to shorten the period of construction for the alternate facility and reroute US military aircraft flights. Meanwhile, Gov. Nakaima has called for setting up a temporary heliport within Camp Schwab. However, the Defense Agency deems it difficult to do so because such an on-base heliport will restrict US military operations, according to one of the agency's officials.

The Defense Agency would like to set about an environmental assessment of the alternate facility in May. At first, Gov. Nakaima took the position that it was one thing to set about an environmental assessment and that it was another to start construction work. With this, the governor was poised to accept the government's proposal to set about an environmental assessment along with talks about how to remove the danger of Futenma airfield. However, the governor stiffened his attitude in a press conference on Dec. 27, saying he would not cooperate on Futenma relocation unless the government specifies how to close down Futenma airfield within three years. This statement can be taken as coming out of his consideration for local public opinion, and it showed the governor's wavering position.

(3) Contrary to Education Minister Ibuki's explanation, his other offices reported expenses separately

AKAHATA (Page 1) (Abridged slightly)
January 12, 2007

A series of "politics and money" scandals have emerged. Such lawmakers as Education, Culture, Sports, Science and Technology Minister Bunmei Ibuki and Agriculture, Forestry and Fisheries Minister Toshikatsu Matsuoka have reported large amounts of money as expenses for their main offices that are located in the rent-free Diet members' office buildings. Education Minister Ibuki explained: "The expenses included the rents for offices in Tokyo and Kyoto that are different from the one in the Diet member's office building." The Akahata's investigation yesterday proved otherwise.

Ibuki's 2005 fund report prepared by his fund management organization, Meifukai, listed 41.46 million yen as office expenses. The Political Funds Control Law defines that office expenses shall include rents for offices of political organizations (land and house/apartment rents), fire insurance premiums, telephone fees, postal stamps, repair expenses, and the like.

Over 40 million yen office expenses in the report have prompted some LDP members to comment: "Even if telephone charges and stamps were included, the amount would not come to that much."

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Ibuki's office explained this way: "Apart from the one in the Diet members' office building, he has offices in Tokyo and Kyoto, and their rents come to 18 million yen annually."

But such offices as Meiyukai in Tokyo's Kawahiracho, the LDP Kyoto No. 1 constituency branch, the LDP Kyoto Meifukai branch, and the Shinpukai political group have all separately reported their office expenses.

Ibuki also said, "Expenses for meetings, including wining and dining, cost 3 to 4 million yen." They should have been reported as organizational activities expenses under political activities expenses. It was a prime example of fund misappropriation.

In December, Genichiro Sata failed to explain the expenses for his fictitious office and resigned as administrative reform minister as a result. "Payments do not always come with receipts. In such cases, payments must be handled as labor costs or office expenses," Ibuki said in an effort to rationalize his reports. Like Sata, Ibuki might be charged for having falsified political funds reports.

The media have all taken up the office expenses issue following the Akahata's Jan. 3 article that reported that 18 lawmakers, including Liberal Democratic Party and Minshuto (Democratic Party of Japan) members, had reported over 10 million yen each in rent for their offices housed in rent-free Diet members' office buildings.

(4) Thoughts on the new status of defense troops (Part 3) --
Changing SDF: How to secure operation costs?

TOKYO SHIMBUN (Page 1) (Abridged slightly)
January 12, 2007

"What's this?" queried Japanese troops when they arrived in Iraq's southern city, Samawah, in January 2004, their heads tilted in doubt.

What they saw there were the painted letters "repaired by Dutch troops" on the surface of a building obviously just repaired. The mission of Dutch troops who arrived in Samawah prior to a detachment of Ground Self-Defense Force (GSDF) troops was to control public order. Repairing facilities was a job for the GSDF to handle. Japanese soldiers wondered why the GSDF's turf was being invaded?

Thirty-nine countries sent their troops to Iraq. But there were no troops sent on a mission of reconstruction assistance except Japan's ground troops. The mission of other countries' troops was to maintain security, but because many countries have a civil-military cooperation (commonly called CIMIC) unit, they were already engaged in the work of repairing destroyed facilities and supplying water.

Why does the military work in the area of civil cooperation? The reason is because hiring local residents to participate in reconstruction projects may help bring stability to the region. In other words, doing so is akin to insuring the troops.

"Because of the lack of our overseas experience, we did not know at all there was CIMIC," a field officer in the Ground Staff Office noted.

Japan set the maximum size of troops to be dispatched at 600, but since a number of those were needed as security guards, only 50 or

less troops were actually assigned to an engineer unit. Obviously the engineering unit was short of hands. So, before long Japan gave up on the idea of rebuilding destroyed facilities with its own troops and adopted a CIMIC system in order to put the reconstruction work in Iraqi hands.

There was a problem with this approach, though, because the Self-Defense Forces (SDF) have no system to pay for employment costs. After consultations with the Ministry of Finance (MOF), the SDF were allowed to pay the employment costs in the name of remuneration, something usually paid to lecturers. This item "remuneration" afterwards changed to the "expenses for maintenance of equipment." A total of 2.8 billion yen was eventually paid to employ Iraqis.

Masahisa Sato, 46, who was at the time a colonel, headed the 1st assistance unit dispatched to Iraq, but he has since then retired from his post as of Jan. 11. He thought before going to Iraq that reconstruction assistance by only by the SDF would not be enough to meet all the local needs. "I thought," Sato said, "one good idea may be to somehow make official development assistance (ODA), particularly, grass-roots grant aid, available to the SDF. I then sought advice from MOF on this."

The maximum amount of grass-roots grant aid offered to each project is set at 100 million yen. Though the amount is small, the selling point of this aid is that diplomatic missions abroad can decide to whether to approve a request for aid coming from non-government organizations (NGOs). Regarding this aid system, the SDF and the Ministry of Foreign Affairs (MOFA), which has stationed five officials in the Samawah camp, have shared the role with the SDF exploring local needs and MOFA giving the go-ahead to ODA projects.

Under the Special Measures Law on Iraq Reconstruction Assistance, humanitarian assistance activities are defined as repairing damage from the Iraq war. But the fact was that the facilities Japan repaired were all obsolete buildings having nothing to do with the war. SDF activities in Iraq "loosened" laws and systems that should be strictly applied.

The Japanese government praised the relations between the SDF and ODA as being like "two axles". But the SDF was vexed at ODA because they repaired regional hospitals in 32 locations in Iraq, but no medical equipment arrived before the repair work was completed. One former brigade chief, looking back on those days, commented: "Once one facility is repaired, the locals wanted chairs and beds for medical treatment use. But ODA, which required us to make a bulk order for equipment, did not meet the working pace of the SDF."

"We wanted money we can use without any shackles like other countries have. If we grab money and take control of armed force, we may be criticized as something like an occupation force. But the hurdle of overseas missions has continued to rise at a steady pace."

The costs of the two and half years of deployment of ground troops in Iraq amounted to 72.2 billion yen. This has become a proof that the government is generous to finance "troop dispatch to battlefields."

However, debate on how far the SDF will be empowered has never developed. Is this because of fear of or indifference to the SDF, which has been becoming stronger step by step?

(5) GSDF Colonel Sato to run in Upper House election

MAINICHI (Page 2) (Full)
January 7, 2007

Ground Self-Defense Force Colonel Masahisa Sato, 46, who was the

commander of the first Iraqi reconstruction assistance unit, will run this summer for the House of Councillors from a proportional representation bloc.

According to a source concerned, Sato will likely be relieved of his post at his own request as of Jan. 11. The Liberal Democratic Party (LDP) is expected to announce soon its official recognition of his candidacy. Sato told a Mainichi Shimbun reporter on Jan. 6, "I'm considering (running for the Upper House) in a positive manner."

Sato commanded GSDF advance troops deployed to the southern Iraqi city of Samawah. He was famous as the commander with a moustache in Samawah. He is now teaching at Ground Staff College Meguro as chief instructor.

(6) Interview with Nomura Holdings President Nobuyuki Koga on triangular mergers

NIHON KEIZAI (Page 7) (Full)
January 12, 2007

Q: What are the challenges for this year?

A: Our effort to establish a foundation for sustainable profit is only halfway through. Above all, our largest challenge is to increase earning power in global markets. We will increase commodity and credit products so that the company will not be affected by market trends. Last year, we handled Sojitz's 300-billion-yen fund-raising case. We would like to handle many custom-made, composite fund-procurement cases similar to Sojitz's.

Q: Last fall, your company decided to purchase Instinet, a major broker in the electronic market, for over 100 billion yen.

A: Nomura has traditionally been strong in the share business utilizing research. Meanwhile, electronic commerce has rapidly spread in institutional investors in Western countries, and we didn't have the time to build such a system on our own. We have a complementary relationship with Instinet when it comes to the customer foundation and operational know-how. This year's challenge is to come up with the best way to combine the two companies' strength in anticipation of expanded e-commerce in Asia.

Q: The triangular merger scheme allowing foreign companies to take over Japanese firms by swapping shares will be legalized in May. How are you going to give advice on M&As?

A: We are not considering standing on the side of a foreign firm in handling the first case. We would rather like to become a trusted partner of a Japanese firm. Last year, we served as an adviser to Oji Paper in its attempt to merge its business with Hokuetsu Paper Mills. Although the plan fell through, we were able to present a new form of M&A that does not exist in Japan. We want to actively get involved in M&As that can increase the value of both companies.

Q: Nomura Group opened Internet-based Joinvest Securities last May,

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but it has been struggling.

A: The number of accounts is way below the original target, but that depends on the environment surrounding stock markets, as well. Joinvest is scheduled to have lines of products and services comparable to those of other Net-based securities firms by the end of this fiscal year, so we expect the number of accounts will grow smoothly in the future. Looking for new business chances besides the securities business in the rapidly growing world of the Internet is more important than profit.

Q: This spring, you will have served full four years as president of Nomura Holdings. What is your target in the fifth year?

A: It has been 10 years since the "Financial Big Bang" (large-scale deregulation program) was introduced. Nomura has been the king in the age of regulations. We want to become a challenger in a free market. It has also been 10 years since the corporate racketeer scandal

involving Nomura broke out (in which the company's president was arrested). The last 10 years have been a period to transform the company to fit for the age of financial liberalization.

Mentally, some employees still live in the age of regulations. A king never makes mistakes, but a challenger must not be afraid of making mistakes. I will make certain that the company will keep on challenging to reach the next level.

(7) Scramble for natural resources - Part 5: Chinese companies serving as state vanguards, fomenting "China as a threat" argument in international community

YOMIURI (Page 11) (Excerpts)
January 9, 2007

A plan of China National Offshore Oil Corp (CNOOC) to buy out Unocal Corporation, an American oil company, was unveiled in June 2005. Four months before the revelation, executives of CNOOC were discussing a Unocal buyout scheme in a TV conference with staff of the US influential lobbying law firm of Akin, Gump, Strauss, Hauer & Feld. A special team was set up with 12 members in Akin. In a bid to translate the buyout plan into practice, the Akin member met with or sent letters to more than 200 influential lawmakers and staff. But the Congress fiercely reacted to the takeover plan. Chuck Grassley, Senate Finance Committee chairman at that time, and other lawmakers sent to President Bush a letter protesting the takeover plan. They also asked the Committee on Foreign Investment in the United States to thoroughly investigate the plan.

James Halloran, an analysis on energy policy commented: "It was proved that more political power than expected by China was necessary."

China's takeover bid later developed into a national security problem. In late July, the Congress adopted a comprehensive energy bill incorporating a provision to prevent Chinese firms from taking over American petroleum companies. As a result, the CNOOC scheme was derailed.

In its takeover bid, CNOOC focused its attention on the oil and gas fields in Asia whose exploitation rights are held by Unocal. Such oil and gas fields were advantageous to China geographically, as well as in light of energy security. In addition, Unocal's deepwater exploration and drilling technologies were attractive to China.

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CNOOC has continued takeover bids overseas even afterward. The Chinese company purchased concession rights to offshore oilfields in Nigeria for 2.3 billion dollars (approximately 270 billion yen) in 2006.

The CNOOC chairman confidently said, "We will continue to take every opportunity to obtain concession rights overseas."

The Chinese government owns CNOOC, China National Petroleum Corporation (CNPC), and SINOPEC. The three state-owned oil companies have earned huge profits by selling oil exploited from domestic oil fields at low cost. CNPC earned 80 billion won (approximately 1.2 trillion yen) only in the first half of 2006.

"The three companies have a huge voice. There are cases in which summit diplomacy was carried out at their request," said a Chinese government official who once assumed a cabinet post. The chairmen of CNPC and SINOPEC are both senior members of the Communist Party and assume a cabinet-level post in the government.

The Communist Party's Politburo headed by President Hu Jintao examines views presented to the government or the Communist Party by the three companies. Such views are reflected in its policies. Premier Wen Jiabao established a leading group on national energy policy composed of officials from the energy-related government offices in June 2005. Wen chairs the group.

Close cooperation between the government and state-owned oil

companies is behind Chinese companies' moves to obtain overseas concessions and energy diplomacy by President Hu.

Such nation-wide forcible takeover bids tend to intensify the "China as a threat" argument in the international community.

An annual report released last November by the US and China Economic and Security Policy Review Committee in the US Congress noted that China's takeovers "have begun to affect the capability of supply-demand adjustment on the oil market." It added, "China has not played an international role."

"It is not correct to regard China's takeover bids as a threat. China is ready to cooperate with other countries," National Development Reform Committee head Ma said in an energy ministerial meeting of five countries in Beijing in December. But other participants remained cool.

(8) Editorial: Unification of implementing agencies is good opportunity for developing strategic ODA

MAINICHI (Page 5) (Full)
January 11, 2007

In the draft budget for fiscal 2007, the first year of reform to unify the revenue and expenditure systems, the official development assistance (ODA) budget for fiscal 2007 was cut four percent from the current year to 729.3 billion yen, the eighth straight year of decline.

The actual budget increased from that of the initial general account budget because of the supplemental budget and borrowings (yen loans) from the fiscal investment loan program, as well as debt reductions. It is regrettable, though, that the administration of Prime Minister

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Shinzo Abe has not positioned ODA as one of its priority items.

At the 2005 G-8 Summit in Gleneagles, Scotland, the government pledged to boost the ODA budget by 10 billion yen in five years. It also promised to double aid to Africa. The challenge also since the issuance of the latest ODA Charter has been for the government to come with a strategy for its overseas assistance. The ODA White Paper for fiscal 2006, as reported to the cabinet late last year, emphasizes the need for such a strategy.

In an attempt to deal with such tasks, the government created last spring the Overseas Economic Cooperation Council under the leadership of the prime minister. It will present a plan reorganizing aid organizations in October next year. The reason is that the number of countries totally supported Japan's bid for a permanent seat on the United Nations Security Council (UNSC) was much less than the government had expected. It was felt therefore that Japan needed to come up with a strategy for aid that would help Japan secure UNSC bid votes at the UN.

It is not that simple, though, to enhance the strategic aspect of foreign aid. Foreign aid per se is not necessarily linked to national interests. If Japan's aid helps the economy and society of aid-recipient countries, they will appreciate it. The aid also should address the poverty problem in those countries.

Grant aid projects -- building schools, digging wells and improving public health -- that need small funds and adhere closely to local residents -- have produced results. That is because they are more helpful to improve livelihood, including peoples' lifelines.

It is desirable to increase the percentage of such grant aid all the more because the ODA-related budget in the general account budget has decreased. Focusing more on small aid projects will be able to cover the drop in the ODA budget.

It is also necessary to implement grant-in-aid, technical assistance, and yen loans as a package. As part of efforts for unification of ODA implementation organizations, the Japan International Cooperation Agency (JICA) will start implementing ODA

programs in October 2008. This will be a good opportunity for Japan to fulfill its strategic goal.

In that context, how about providing loans to Grameen Bank (in Bangladesh) that would go to micro-finance farmers? Muhammad Yunus, who was awarded the Nobel Peace Prize in 2006, came up with the scheme. Yen loans to the bank would enable it to offer small loans for agricultural development and reforestation. Japan's yen loans usually contributed to economic infrastructure development. It is possible to use them for such new issues as poverty reduction, peace building, and the prevention of global warming.

It is important for the government not to cut ODA budgets at random, without recognizing the significance of ODA projects. At the same time, Japan needs to put an end to large-scale ODA projects. This is the path to strategic ODA.

DONOVAN